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Definition of the Term ‘Fiduciary’; Conflict of Interest Rule—Retirement Investment Advice; Notice of proposed rulemaking and withdrawal of previous proposed rule.

Comment On: EBSA-2010-0050-0204

Definition of the Term Fiduciary; Conflict of Interest Rule- Retirement Investment Advice

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General Comment

While I applaud efforts to avoid conflicts of interest by fiduciaries of IRAs, I am concerned that the proposed rule, as it now stands, would effectively prohibit the sale of options within IRAs. I believe such a prohibition is misguided, perhaps because of a belief that all options trading carries excessive risk and therefore should be prohibited within IRAs. While this is true for the purchase of options, this most definitely is not true of the sale of options. I have been selling puts and calls for over a year now as a means of generating safe retirement income. When selling puts, I generally agree to buy the stock in question for a LOWER price than that at which it trades at the time I sell the put, should it fall below that lower price within 2-3 months. In return, I generally receive 2% to 3% premiums. Essentially, I get paid for agreeing to possibly buy the stock in question at a 2% to 3% discount to current prices. This is much less risky than simply buying the stock at the current price. If I already own the stock and sell a covered call on it, I generally get paid a premium of 2% to 3% for agreeing to sell the stock for a HIGHER price than that at which it currently trades. Again, this is less risky than simply buying and holding the stock in question.

In summary, there is no reason to limit the SALE of options contracts in an IRA, as this is a conservative, low-risk strategy for generating retirement income. (This is very different from the PURCHASE of options, which is too often used as a means of placing risky bets on future movements in stocks.) My view is that the proposed regulation should be modified to allow the sale of options (puts and calls) within Individual Retirement Accounts.